

AR12

*Inglis*

**ANNUAL REPORT 1977**

## Financial Highlights

	1977	1976
Sales . . . . .	<b>\$122,644,000</b>	\$121,792,000
Net earnings . . . . .	<b>\$ 1,343,000</b>	\$ 3,080,000
Per share . . . . .	<b>\$ 1.02</b>	\$ 2.34
Dividends paid . . . . .	<b>\$ 526,000</b>	\$ 526,000
Per share . . . . .	<b>\$ .40</b>	\$ .40
Working Capital . . . . .	<b>\$ 26,203,000</b>	\$ 20,310,000
Shareholders' equity . . . . .	<b>\$ 27,707,000</b>	\$ 26,890,000
Per share . . . . .	<b>\$ 21.06</b>	\$ 20.44

**INGLIS LIMITED**

14 Strachan Avenue, Toronto, Canada M6K 1W6

Le secrétaire, au siège social, vous fera volontiers parvenir un exemplaire du rapport annuel en français, sur demande.

# Report of the Board of Directors

To the Shareholders:

Your Directors present herewith the Annual Report of your Company for the year ended December 31, 1977.

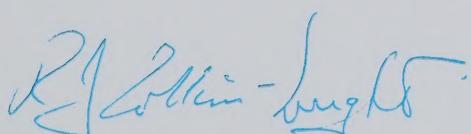
Net sales for the year ended December 31, 1977 amounted to \$122,644,000 compared to net sales of \$121,792,000 for the year ended December 31, 1976. Net earnings for 1977 were \$1,343,000 or \$1.02 per share, which includes \$397,000 or \$.30 per share through reduced income taxes as a result of the inventory allowance of 3%. Net earnings in 1976 amounted to \$3,080,000 or \$2.34 per share.

The modestly increased sales volume for the year reflects the soft consumer demand for major home appliances experienced by the industry through 1977. In addition to the soft market, the major factors that adversely affected 1977 earnings, as previously reported, were substantial increases in costs of materials, higher interest charges and unfavourable foreign exchange rates which were only partially offset by increases in selling prices. Results for the year also were affected by a strike at the Stoney Creek Plant early in the year and provisions made in the third quarter for losses in accounts receivable because of the bankruptcy of two of the Company's largest dealers in Ontario. The initial phase of the programme mentioned in our 1976 Annual Report to rearrange and expand manufacturing facilities at the Toronto Plant during 1977 has been delayed until mid 1978.

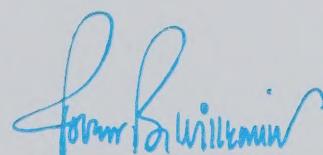
Current consumer demand for major home appliances continues at a relatively low level. Although the industry has forecast a unit sales volume for 1978 of about the same level as that attained in 1977, the Company expects, with its expanded line of refrigerators, to increase its share of the refrigerator market in 1978.

Your Directors wish to record their appreciation of the dedication and effort of the employees and the support of our suppliers and customers during the past year.

On behalf of the Board,



**Robert J. Collins-Wright**  
President and Chief Executive Officer



**Robert B. Willemin**  
Chairman of the Board

# Balance Sheet

**December 31, 1977** (with comparative figures at December 31, 1976)

## INGLIS LIMITED

(Incorporated under the laws of Ontario)

<b>Assets</b>	<b>1977</b>	<b>1976</b>
<b>Current assets</b>		
Accounts receivable (note 2) . . . . .	<b>\$10,220,000</b>	\$11,153,000
Inventories (note 2)—		
Finished products . . . . .	<b>18,918,000</b>	17,805,000
Materials and work in process . . . . .	<b>15,236,000</b>	13,827,000
	<b>34,154,000</b>	31,632,000
Prepaid expenses . . . . .	<b>356,000</b>	587,000
Income taxes recoverable . . . . .	<b>243,000</b>	—
	<b>Total current assets</b>	<b>44,973,000</b>
		43,372,000
<b>Fixed assets</b>		
Land. . . . .	<b>720,000</b>	710,000
Buildings . . . . .	<b>9,354,000</b>	7,895,000
Equipment . . . . .	<b>17,864,000</b>	15,056,000
	<b>27,938,000</b>	23,661,000
Less accumulated depreciation. . . . .	<b>11,863,000</b>	10,437,000
	<b>16,075,000</b>	13,224,000
Unamortized tooling costs . . . . .	<b>2,162,000</b>	1,184,000
	<b>18,237,000</b>	14,408,000
	<b>\$63,210,000</b>	<b>\$57,780,000</b>

On behalf of the Board:

Robert B. Willemin, Director

Robert J. Collins-Wright, Director

# Inglis

<b>Liabilities</b>	<b>1977</b>	<b>1976</b>
<b>Current liabilities</b>		
Bank advances (note 2) . . . . .	\$ 2,866,000	\$ 8,406,000
Accounts payable, warranties and accrued charges . . . . .	14,470,000	11,512,000
Income and other taxes payable . . . . .	—	1,683,000
Deferred service contract revenue . . . . .	1,434,000	1,461,000
Total current liabilities	<b>18,770,000</b>	23,062,000
<b>Provision for warranty</b> . . . . .	<b>2,072,000</b>	2,355,000
<b>Deferred income taxes</b> . . . . .	<b>2,661,000</b>	1,473,000
<b>Long-term debt</b> (note 3) . . . . .	<b>12,000,000</b>	4,000,000
<b>Shareholders' equity</b>		
<b>Capital—</b>		
Authorized		
1,500,000 shares of no par value		
<b>Issued</b>		
1,315,831 shares . . . . .	11,814,000	11,814,000
<b>Retained earnings</b> . . . . .	<b>15,893,000</b>	15,076,000
	<b>27,707,000</b>	26,890,000
	<b>\$63,210,000</b>	\$57,780,000

(See accompanying notes to financial statements)

# Statement of Earnings

## INGLIS LIMITED

For the year ended December 31, 1977 (with comparative figures for 1976)

	<b>1977</b>	<b>1976</b>
Sales . . . . .	<b>\$122,644,000</b>	\$121,792,000
Earnings on operations before the undernoted . . . . .	<b>\$ 5,359,000</b>	\$ 8,141,000
Less:		
Depreciation and amortization . . . . .	<b>1,894,000</b>	1,685,000
Interest on long-term debt . . . . .	<b>1,178,000</b>	365,000
Other interest expense . . . . .	<b>629,000</b>	685,000
	<b>3,701,000</b>	2,735,000
Earnings before income taxes . . . . .	<b>1,658,000</b>	5,406,000
Income taxes (note 4) . . . . .	<b>315,000</b>	2,326,000
<b>Net earnings for the year</b> . . . . .	<b>\$ 1,343,000</b>	\$ 3,080,000
Earnings per share . . . . .	<b>\$ 1.02</b>	\$ 2.34

# Statement of Retained Earnings

## INGLIS LIMITED

For the year ended December 31, 1977 (with comparative figures for 1976)

	<b>1977</b>	<b>1976</b>
<b>Retained earnings</b> at beginning of year . . . . .	<b>\$ 15,076,000</b>	\$ 12,522,000
<b>Net earnings for the year</b> . . . . .	<b>1,343,000</b>	3,080,000
	<b>16,419,000</b>	15,602,000
Dividends . . . . .	<b>526,000</b>	526,000
<b>Retained earnings</b> at end of year . . . . .	<b>\$ 15,893,000</b>	\$ 15,076,000

(See accompanying notes to financial statements)

# Statement of Changes in Financial Position

**INGLIS LIMITED**

For the year ended December 31, 1977 (with comparative figures for 1976)

	<b>1977</b>	<b>1976</b>
<b>Working capital at beginning of year . . . . .</b>	<b>\$20,310,000</b>	\$19,731,000
<b>Source of funds</b>		
Operations—		
Net earnings for the year . . . . .	1,343,000	3,080,000
Add (deduct) items nor requiring an outlay of working capital		
Depreciation and amortization . . . . .	1,894,000	1,685,000
Deferred income taxes . . . . .	1,188,000	(274,000)
Increase (decrease) in long-term warranty provision . . . . .	(283,000)	925,000
	<b>4,142,000</b>	5,416,000
Increase in long-term debt . . . . .	8,000,000	—
	<b>12,142,000</b>	5,416,000
<b>Application of funds</b>		
Additions to fixed assets (net) . . . . .	5,723,000	4,311,000
Dividends . . . . .	526,000	526,000
	<b>6,249,000</b>	4,837,000
<b>Increase in working capital . . . . .</b>	<b>5,893,000</b>	579,000
<b>Working capital at end of year . . . . .</b>	<b>\$26,203,000</b>	\$20,310,000

(See accompanying notes to financial statements)

# Notes to Financial Statements

**INGLIS LIMITED**

December 31, 1977

## 1. Summary of principal accounting policies

### Inventories—

Inventories are valued at the lower of cost on a first-in, first-out basis or net realizable value.

### Fixed assets—

Land, buildings and equipment are stated at cost. Depreciation is based on the estimated average useful lives of the various classes of assets, calculated on the straight-line method at rates varying from 2½% to 25%. Upon sale or retirement, the cost of the asset and the related accumulated depreciation are removed from the accounts and any gain or loss thereon is taken into earnings. Major tooling costs are amortized over one to five years based on the estimated useful life of the tool.

### Service contract revenue—

Service contract revenue is deferred on receipt and amortized over the one-year term of the service contract.

### Product warranty—

The company recognizes the estimated cost of warranty obligations to the consumers of its products at the time the product is sold.

### Income taxes—

As a result of differences in the timing of expenses for tax and book purposes, income taxes currently payable differ from the provision for taxes shown on the statement of earnings. Deferred taxes applicable to the current portion of warranty obligations and differences relating to current assets giving rise to current deferred taxes payable have been grouped and shown with prepaid expenses.

Deferred taxes applicable to the use of accelerated depreciation for income tax purposes, and to other non-current items, are classified as deferred income taxes.

### Investment tax credits—

The benefits arising from the investment tax credit provisions of the Income Tax Act are treated as a reduction of the current year's income tax provision.

### Foreign exchange—

Current assets and liabilities in United States currency have been converted into Canadian dollars at the rate of exchange in effect at December 31, 1977.

## 2. Bank advances

Accounts receivable and inventories have been pledged to the bank as security for the bank advances.

## 3. Long-term debt

At December 31, 1977, \$12,000,000 of 11% Secured Sinking Fund Debentures, Series "A", maturing February 1, 1994 were outstanding with sinking fund payments commencing February 1, 1981 at the rate of \$850,000 annually to 1993 and \$950,000 at maturity.

These debentures are secured by a first floating charge on the undertaking and assets of the company subject to the pledge of assets referred to in note 2. The trust indenture includes provisions relating to the level of working capital and restrictions on payment of dividends. The most restrictive of the provisions limits dividends to 70% of the net earnings accumulated after December 31, 1975. The accumulated amount (as defined) available for payment of dividends is \$2,044,000 as at December 31, 1977.

## 4. Income taxes

The provision for income taxes for the year ended December 31, 1977 has been reduced by \$397,000 as a result of the 3% inventory allowance.

## 5. Directors' and senior officers' remuneration

The aggregate direct remuneration for the year paid or payable to directors and senior officers amounted to \$576,000.

## 6. Commitments

Based on the latest actuarial valuation of the company's pension and retirement plans, it is estimated that the unfunded obligation of the company for past service pension benefits is approximately \$2,100,000. The obligation will be funded and absorbed against income by annual payments to the Trustee based upon amortization periods not exceeding fifteen years.

## 7. Anti-Inflation Program

The company is subject to, and believes it has complied with, controls on prices, profits, employee compensation and shareholder dividends under the Federal Anti-Inflation Act.

# Auditors' Report

To the Shareholders of Inglis Limited:

We have examined the balance sheet of Inglis Limited as at December 31, 1977 and the statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada, January 31, 1978.

**Clarkson, Gordon & Co.**  
Chartered Accountants

# Five Year Statistical Review 1973—1977

(In Thousands of Dollars)

**INGLIS LIMITED**

	<b>1977</b>	<b>1976</b>	<b>1975</b>	<b>1974</b>	<b>1973</b>
<b>Operations</b>					
Sales . . . . .	<b>\$122,644</b>	\$121,792	\$110,498	\$87,567	\$92,027
Earnings before income taxes . . . . .	<b>\$ 1,658</b>	\$ 5,406	\$ 5,302	\$ 3,677	\$ 6,422
Per cent to sales . . . . .	<b>1.4%</b>	4.4%	4.8%	4.2%	7.0%
Net earnings for the year . . . . .	<b>\$ 1,343</b>	\$ 3,080	\$ 3,068	\$ 2,039	\$ 3,660
Per cent to sales . . . . .	<b>1.1%</b>	2.5%	2.8%	2.3%	4.0%
Per share . . . . .	<b>\$ 1.02</b>	\$ 2.34	\$ 2.33	\$ 1.55	\$ 2.78
Earned on shareholders' equity . . . . .	<b>4.9%</b>	12.0%	13.3%	9.7%	19.8%
Dividends paid . . . . .	<b>\$ 526</b>	\$ 526	\$ 526	\$ 461	\$ 198
Per share . . . . .	<b>\$ .40</b>	\$ .40	\$ .40	\$ .35	\$ .15
Depreciation on buildings and equipment . . . . .	<b>\$ 1,463</b>	\$ 1,221	\$ 1,149	\$ 985	\$ 744
Amortization of tooling . . . . .	<b>\$ 431</b>	\$ 464	\$ 511	\$ 375	\$ 400
Additions to land, buildings and equipment—net . . . . .	<b>\$ 4,314</b>	\$ 3,629	\$ 1,233	\$ 1,431	\$ 3,197
Additions to tooling . . . . .	<b>\$ 1,409</b>	\$ 682	\$ 299	\$ 416	\$ 1,068
<b>Balance Sheet</b>					
Working capital . . . . .	<b>\$ 26,203</b>	\$ 20,310	\$ 19,731	\$ 16,934	\$ 15,293
Ratio of current assets to current liabilities . . . . .	<b>2.40:1</b>	1.88:1	2.28:1	1.48:1	1.91:1
Land, buildings and equipment—net . . . . .	<b>\$ 16,075</b>	\$ 13,224	\$ 10,816	\$ 10,732	\$ 10,286
Unamortized tooling . . . . .	<b>\$ 2,162</b>	\$ 1,184	\$ 966	\$ 1,178	\$ 1,137
Long-term debt . . . . .	<b>\$ 12,000</b>	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000
Shareholders' equity—					
Capital . . . . .	<b>\$ 11,814</b>	\$ 11,814	\$ 11,814	\$ 11,814	\$ 11,814
Retained earnings . . . . .	<b>\$ 15,893</b>	\$ 15,076	\$ 12,522	\$ 9,980	\$ 8,402
	<b>\$ 27,707</b>	\$ 26,890	\$ 24,336	\$ 21,794	\$ 20,216
Number of shares outstanding (in thousands) . . . . .	<b>1,316</b>	1,316	1,316	1,316	1,316
Book value per share . . . . .	<b>\$ 21.06</b>	\$ 20.44	\$ 18.49	\$ 16.56	\$ 15.36
<b>Non-Financial</b>					
Number of employees (year end) . . . . .	<b>1,881</b>	2,070	1,933	2,225	2,173
Number of shareholders (year end) . . . . .	<b>869</b>	929	974	1,013	1,072

## Directors

**Donald S. Anderson**  
**Herbert K. Anspach**  
**Charles-É. Bélanger**  
**Sidney L. Boyar**  
**Air Marshal Hugh Campbell, C.B.E., C.D.**  
**Robert J. Collins-Wright**  
**James D. Irving**  
**Douglas J. Peacher**  
**R. Barrett Simpson**  
**Humphrey B. Style**  
**Robert B. Willemin**

## Bankers

The Royal Bank of Canada  
Royal Bank Plaza,  
Toronto, Canada M5J 2J5

## Auditors

Clarkson, Gordon & Co.  
P.O. Box 251,  
Toronto-Dominion Centre,  
Toronto, Canada M5K 1J7

## Transfer Agent and Registrar

Canada Permanent Trust Company  
20 Eglinton Avenue West,  
Toronto, Canada M4R 2E2  
600 Dorchester Boulevard West,  
Montreal, Canada H3B 1N6

## Stock Exchanges

Common Stock of Inglis Limited  
is listed on The Toronto Stock Exchange  
and the Montreal Stock Exchange.

The exchange symbol for Inglis Limited is ING.

## Officers

**Robert B. Willemin**  
Chairman of the Board  
**Robert J. Collins-Wright**  
President and Chief Executive Officer  
**Gordon I. Forsell**  
Vice President—  
Inglis and Whirlpool Sales  
**Peter A. Ketchum**  
Vice President—  
Physical Distribution  
**G. Douglas Smith**  
Vice President—  
Personnel  
**Norman A. Stewart**  
Vice President—  
Consumer Services  
**Edward J. Von Arb**  
Vice President—  
Engineering  
**Alfred C. Chink**  
Comptroller and Treasurer  
**Donald H. Hobbs**  
Corporate Secretary

**The complete Inglis product line is listed below:**

automatic washers  
automatic dryers  
refrigerators  
ranges  
dishwashers  
Trash Masher compactors  
dehumidifiers  
fuel pumps  
coin operated laundry equipment  
commercial icemakers

*Imglia*

INGLIS LIMITED

14 Strachan Avenue, Toronto, Canada M6K 1W6

**AR12**

**Manufacturers and  
Distributors of:**  
automatic washers  
automatic dryers  
refrigerators  
ranges  
dishwashers  
Trash Masher compactors  
dehumidifiers  
fuel pumps  
coin operated laundry equipment  
commercial icemakers

**Inglis**

**INTERIM REPORT 1977**

**Inglis**

**INGLIS LIMITED  
14 Strachan Avenue, Toronto, Canada  
M6K 1W6**

**6 months ended June 30, 1977**

# Interim Report 1977

## Statement of Earnings

	Period of Three Months Ended June 30	
	1977	1976
Sales .....	\$30,747,000	\$27,203,000
Earnings before undenoted items.....	\$ 1,282,000	\$ 2,278,000
Deduct:		
Depreciation and amortization.....	504,000	412,000
Interest.....	547,000	321,000
Earnings before income taxes .....	1,051,000	733,000
Provision for income taxes.....	231,000	1,545,000
<b>Net earnings for the period.....</b>	<b>\$ 130,000</b>	<b>\$ 865,000</b>
Per share .....	\$ .10	\$ .65

## Statement of Changes in Financial Position

<b>Source of funds:</b>		
Operations—		
Net earnings for the period .....	\$ 130,000	\$ 865,000
Depreciation and amortization.....	504,000	412,000
Deferred income taxes.....	15,000	25,000
Debenture Issue .....	—	—
Increase (decrease) in long-term warranty provision.....	(93,000)	23,000
	<b>556,000</b>	<b>1,325,000</b>
<b>Application of funds:</b>		
Additions to fixed assets—net.....	1,811,000	922,000
Dividends.....	132,000	131,000
<b>Increase (decrease) in working capital .....</b>	<b>1,943,000</b>	<b>1,053,000</b>
<b>Working capital at beginning of period.....</b>	<b>(1,387,000)</b>	<b>272,000</b>
<b>Working capital at end of period.....</b>	<b>26,232,000</b>	<b>21,145,000</b>
	<b>\$24,845,000</b>	<b>\$21,417,000</b>

NOTE: The above financial statements are unaudited.

# Inglis

Period of Six Months  
Ended June 30

1977	1976
<b>\$54,365,000</b>	<b>\$52,840,000</b>
<b>\$ 2,259,000</b>	<b>\$ 4,903,000</b>
958,000	811,000
859,000	393,000
<b>1,817,000</b>	<b>1,204,000</b>
442,000	3,699,000
194,000	1,628,000
<b>\$ 248,000</b>	<b>\$ 2,071,000</b>
<b>\$ .19</b>	<b>\$ 1.57</b>

<b>\$ 248,000</b>	<b>\$ 2,071,000</b>
958,000	811,000
77,000	50,000
<b>8,000,000</b>	<b>—</b>
<b>(93,000)</b>	<b>50,000</b>
<b>9,190,000</b>	<b>2,982,000</b>

<b>4,393,000</b>	<b>1,033,000</b>
<b>262,000</b>	<b>263,000</b>
<b>4,655,000</b>	<b>1,296,000</b>
<b>4,535,000</b>	<b>1,686,000</b>
<b>20,310,000</b>	<b>19,731,000</b>
<b>\$24,845,000</b>	<b>\$21,417,000</b>

# Interim Report 1977

## Statement of Earnings

Sales .....	
Earnings before undernoted items.....	
Deduct:	
Depreciation and amortization.....	
Interest.....	
Earnings before income taxes .....	
Provision for income taxes.....	
<b>Net earnings for the period</b>	
Per share .....	

## Statement of Changes in Financial Position

### Source of funds:

Operations—	
Net earnings for the period .....	
Depreciation and amortization .....	
Deferred income taxes .....	
Debenture Issue .....	
Increase (decrease) in long-term warrants .....	

### Application of funds:

Additions to fixed assets—net.....	
Dividends.....	

<b>Increase (decrease) in working capital</b>	
Working capital at beginning of period.....	
Working capital at end of period.....	

NOTE: The above financial statements are unaudited.

### To the Shareholders:

Sales by the Company in the quarter ended June 30, 1977 were \$30,747,000 as compared to sales of \$27,203,000 in the corresponding period last year. Sales for the six month period ended June 30, 1977 were \$54,365,000 as compared to sales of \$52,840,000 for the first six months of 1976.

Operations resulted in net earnings of \$130,000 or 10¢ per share for the 1977 second quarter and \$248,000 or 19¢ per share for the 1977 first half, as compared to net earnings of \$865,000 or 65¢ per share and \$2,071,000 or \$1.57 per share respectively for the corresponding periods in 1976.

The results for the first half of 1977 were adversely affected by increased interest expense and other cost increases which have exceeded the benefits obtained from higher prices and cost control efforts, and the strike at the Stoney Creek Plant.

Robert J. Collins-Wright  
President and Chief Executive Officer

August 26, 1977.